



The President's Daily Brief

January 4, 1974

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Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1)(2)(3)
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the Director of Central Intelligence

1444000-010028

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

Israeli and Egyptian military negotiators made no progress on Wednesday, but the Israelis' proposals on "reciprocity" appear more flexible than their public statements. (Page 1)

The Canadians have indicated that they might boost their export tax on crude oil enough to bring the price for Alberta crude in line with prevailing world prices. (Page 2)

Efforts are being made to promote a meeting between OPEC and OECD to discuss prices of oil and industrial goods. (Page 3)

Tokyo and the EC Commission apparently have agreed to a pattern of trade controls intended to prevent disruption of European markets by Japanese exports. (Page 4)

25X1

Notes on a Soviet [redacted] on a possible Egyptian cabinet shuffle, on the new Spanish cabinet, and on Japanese - North Vietnamese economic relations appear on Pages 5 and 6.

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EGYPT-ISRAEL

Israeli and Egyptian military negotiators again failed to resolve their differences over the guidelines for disengagement when they met in Geneva on Wednesday. The two sides meet again today, but UN General Siilasvuo, the chairman, fears that the atmosphere will begin to sour if the negotiators do not shift from general principles to specific proposals.

The chief obstacle currently centers on Tel Aviv's demand that any Israeli withdrawal be accompanied by a reciprocal Egyptian concession. Following the Egyptian delegate's rejection of this concept at Wednesday's meeting, the Israeli delegate outlined his government's definition of "reciprocity." Noting that the depth of any Israeli withdrawal east of the canal would depend on the strength of Egyptian forces remaining on the east bank, he insisted that these forces must be thinned. Agreement is also necessary, he said, on exactly how many divisions and heavy weapons the Egyptians will be permitted to retain there.

Despite Siilasvuo's pessimism, the Israelis' proposals appear more flexible than their public statements. The former chief Israeli negotiator at the Kilometer 101 talks indicated in a newspaper interview last weekend, for example, that if Israel withdraws to the east bank the Egyptians should not be permitted to retain any military forces there.

The Egyptians apparently did not comment on the Israeli proposals at the meeting on Wednesday, but at the Kilometer 101 talks they had indicated that they might accept some thinning of forces.

A possible confrontation over Israeli blocking of supply convoys to the Egyptian Third Army is being threatened in the UN. According to UN reports, the Israelis have not allowed the supply convoys through for two days, and the Egyptian representative is threatening to call an emergency meeting of the Security Council to consider the issue immediately. Assistant Secretary General Urquhart believes that an acrimonious Security Council meeting is in prospect if the convoy is blocked again today.

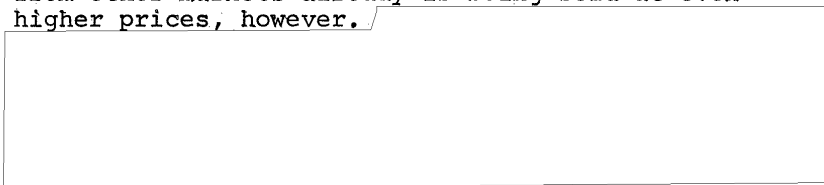
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INTERNATIONAL OIL

Canadian Energy Minister MacDonald indicated late last week that Canada's export tax on crude oil could triple to \$6.50 a barrel by February 1. The tax, designed to see that the increase in the price of Canadian oil accrues to the government rather than to private companies, was first imposed on October 1 at 40 cents a barrel, and rose in stages until reaching \$2.20 on January 1. A \$6.50 tax would bring the average US price for Alberta crude to \$10.97 a barrel, in line with most of the crude oil in world trade.

An increasing amount of government-owned oil from other markets already is being sold at even higher prices, however.

25X1



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OPEC-OECD

An effort is under way to promote a meeting between the Organization of Petroleum Exporting Countries (OPEC) and the Organization for Economic Cooperation and Development (OECD)--some OECD countries hoping to halt the spiraling of oil prices, and OPEC members hoping to obtain more favorable terms for development and trade.

Britain is reported to be seeking a positive response to the Shah of Iran's proposal on December 23 for a meeting between OPEC and OECD. The British believe a response should be given before next Monday, when OPEC members meet in Geneva to discuss long-range pricing policies.

Iran's minister of finance suggested to Ambassador Helms on January 2 that the OECD Secretariat invite OPEC to engage in talks. The minister evidently thus hopes to get around opposition by Iraq and Kuwait to OPEC's taking any initiative in calling for a conference.

In New Delhi, OPEC Secretary General Khene called publicly for OECD-OPEC talks aimed at lowering the prices the industrialized countries charge for their exports. Khene called the oil price rise a part of the developing world's fight against "economic aggression" and said the price of oil would be lowered if the industrial nations lowered the cost of their exports.

So far, the response from the OECD members has been mixed. On December 28, Italy endorsed the idea of OECD-OPEC talks but said they should not interfere with members' bilateral arrangements with oil-producing countries. The French OECD delegate stressed the need to avoid hasty moves to establish contact with OPEC. He insisted that the differences in the energy problems of the US and Europe needed further clarification.

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JAPAN-EC

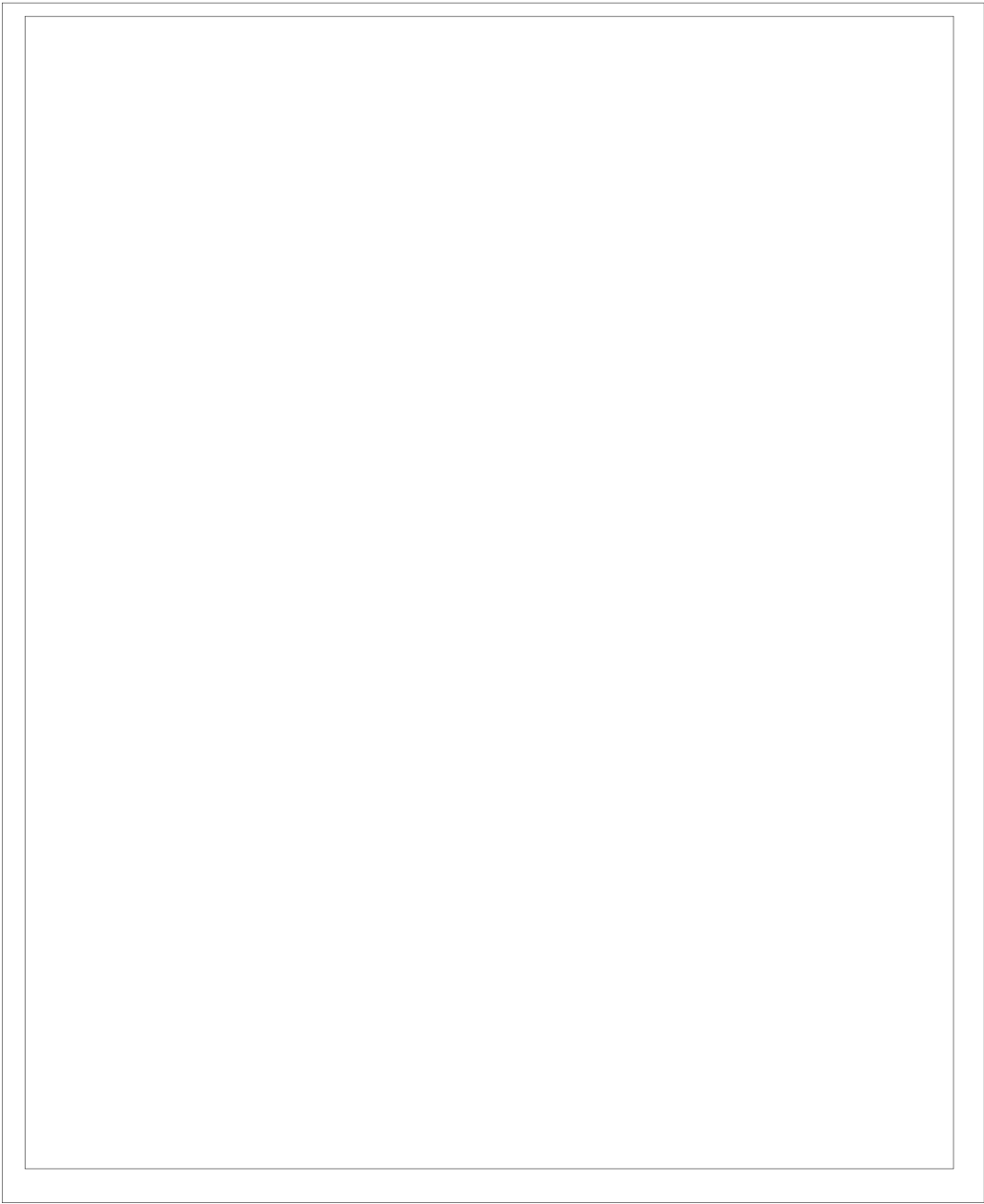
Tokyo and the EC Commission apparently have agreed to a pattern of trade controls aimed at preventing disruption of European markets by Japanese exports. Japan will establish export controls, principally on electronics products, in return for removal of import controls imposed earlier by Italy and the Benelux countries.

The EC's willingness to accept Japan's offer to restrain exports has removed a major irritant in their relations, but the arrangement agreed upon is only a temporary expedient. Attempts to conclude an overall trade agreement between the EC and Japan have failed, largely because Tokyo opposes certain provisions aimed at protecting the domestic markets of importing countries.

The Commission nonetheless wants to improve contacts with Tokyo so as to prevent trade disputes from hindering broader economic and political contracts. Commission President Ortoli is scheduled to visit Tokyo in mid-February.

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USSR:

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Egypt: President Sadat, who currently also serves as prime minister, has spent [] several days discussing a cabinet shuffle []

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[] The most likely candidate for prime minister is Minister of Economy and Foreign Trade Hijazi, the architect of Egypt's "nonsocialist" economic policy begun before the war. This policy, and Hijazi himself, have been the targets of strong criticism from the USSR. Foreign Minister Fahmi, who reportedly will remain in the cabinet, also has been criticized by the Soviets, who appear to blame him largely for Cairo's improved ties to Washington.

Spain: The cabinet announced yesterday by newly appointed Premier Arias gives predominance to the more moderate elements of Franco's National Movement. The cabinet includes a number of pragmatic men who are interested in easing economic and political restraints to developing closer ties with NATO and the European Communities. The new interior minister is a tough law-and-order advocate, but rightists, including former acting premier Fernandez-Miranda, were the big losers. Opus Dei, the Catholic lay organization, also lost out with the ousting of its last remaining cabinet member, Foreign Minister Lopez Rado.

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Japan - North Vietnam: The energy crisis is beginning to broaden Tokyo's economic relations with Hanoi. Japan has contracted to purchase up to 1.2 million tons of high-quality coal from North Vietnam over the next two years. This amount equals Japan's imports from North Vietnam in 1961 and more than triples those of last year, but still would satisfy less than one percent of Japan's coal needs. At the same time, Hanoi has agreed in principle to accept a team of experts from a Japanese government corporation to survey undersea oil resources in the Gulf of Tonkin. Two private Japanese oil companies have already sent survey missions to North Vietnam, and a third is reported to be negotiating for participation in an oil project.

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